

SOCIETE GENERALE
CONSCIOUS OF THE CLIMATE CHANGE ISSUES
FACING OUR PLANET



The climate change issues associated with the warming of our planet by over 2°C require that action be taken at all levels. On 20 May 2015, Frédéric Oudéa, Chief Executive Officer of Societe Generale, together with 59 other international companies and seven organisations, reaffirmed the importance of implementing low-carbon solutions, in complement to the Government commitments of COP21.

As of 2014, the energy mix of electricity production projects financed by Societe Generale group was already in line with the 2°C goal set by the International Energy Agency.

Societe Generale's ambition is to be the bank of reference for its clients, which means supporting them and meeting their needs whilst also ensuring their impact on the climate is limited and playing a responsible part in financing the economy. The Bank ranks among the best international banking institutions recognised by non-financial rating agencies such as Vigeo, RobecoSam, Oekom and Sustainalitics, among others.

As proof of its commitment to climate issues, the Group is involved in a number of international initiatives and ensures that all its business lines help their clients comply with the strictest environmental and social policies.

The Group actively contributes to the United Nations Sustainable Development Goals through its presence in 76 countries, notably including Africa, and its many social and environmental initiatives.

Climate change is an issue that concerns us all and, through its actions, one that the Group is actively involved in addressing.

ATTENTIVE TO CLIMATE CHANGE ISSUES IN FINANCE

Having joined the United Nations Environment Programme Finance Initiative (UNEP FI) in 2001, adopted the Equator Principles (EP) in 2007 and joined the Global Compact, in 2011 the Group published its **Environmental and Social (E&S) General Principles**, which lists the internationally recognised E&S standards that Societe Generale deems most relevant to driving its financial products and services offer.

They are supplemented by **11 E&S sectoral policies** on sensitive economic sectors, which detail the practices to be followed within these sectors and the specific E&S assessments to be conducted.

The transversal policy on biodiversity supplements this normative framework by ensuring that the impacts on biodiversity of projects it may choose to finance are identified, measured and limited.

These principles were formally set out in a Directive signed by the Chairman and Chief Executive Officer, and they apply to all the activities of Societe Generale group.



" Our greatest achievement is the fact that, every day, we successfully help our customers implement the E&S requirements associated with the EP. This success also involves productive cooperation with other EP banks and with public credit insurers when we participate in joint financing. "

CATHERINE GOUPIL
Deputy Head of Export Finance
Europe, Africa & Structured Trade

ENVIRONMENTAL AND SOCIAL GUIDELINES FOR BUSINESS ENGAGEMENT



The whole normative framework allows the Bank to offer more targeted financial services, determine the acceptability of financed projects and focus on those companies with which the Bank is willing to work. Additionally, it can lead to an improved process, closer discussions with the clients and withdrawal from a project if needs be.

In 2014, some 170 dedicated transactions gave rise to an in-depth E&S assessment and 46 projects falling within the scope of the EP were signed. The potential E&S risks of 4,100 global companies were examined.

Within the EP framework, the Bank ensures that, for projects that are likely to generate direct emissions of more than 100,000 tonnes of CO₂, the client conducts a study of alternative, lower-carbon solutions and provides evidence of the benefits of the project. Annual reporting of greenhouse gas emissions is also required for these projects.

With regard to mining activities, the Bank seeks to fund those projects that fall in line with its environmental commitments, including the protection of biodiversity and water quality, as well as its commitments to local communities and workers. It refuses to finance the open cast mines that use "Mountain Top Removal" techniques in the Appalachians in the US.

In December 2014, Societe Generale suspended its involvement in the Alpha Coal mine project. Today, the Bank is not involved in this project and does not intend to participate in coal mining and associated infrastructure projects in the Galilee Basin in Australia.

The sectoral policy on coal-fired power plants imposes a minimum level of thermal efficiency of between 38 and 43%, depending on the country, for projects financed by Societe Generale. As a result, the Bank regularly refuses to participate in underperforming power plants.

Protecting forests through sustainable management and maintaining primary forests both help to mitigate climate change and preserve biodiversity. In addition to its Biodiversity policy, the Group ensures compliance with best practice such as responsible forest management (the FSC standard) and sustainable palm oil production (the RSPO standard).

Furthermore, concerning its financing of the agricultural and food industries, the Bank does not fund 1st generation biofuel projects and refuses to set up funds that are mainly invested in agricultural raw materials.

The Group is a signatory to the CDP Climate Change, CDP Water, CDP Forests and CDP Carbon action programmes, alongside more than 822 financial institutions worldwide, and issues a yearly report of its environmental initiatives.

SUPPORTING OUR CLIENTS WITH THEIR LOW-CARBON INVESTMENTS

Societe Generale is aware that all economic players have a role to play in the transition to a low-carbon economy. For this reason, in the markets in which it operates, the Bank supports governmental and private sector efforts to diversify energy sources and increase the use of renewable energies.

In 2014, Societe Generale provided almost EUR 1.1 billion in green financing to the public and private sectors, and of the total portfolio held by the Corporate & Investment Banking division in the electricity generation sector, 60% are renewable energy assets.

Green financing rose by more than 35% compared to 2013. This includes wind farms, renewable energy production, waste recovery, public transport projects, alternative fuels and clean vehicles. All these projects are benefit from the Bank's ability to finance complex projects.

Examples from 2014 include:

- the financing of the largest European photovoltaic power plant, with a capacity of 300 MW, located in the town of Cestas, near Bordeaux in France;
- the financing of a new gas power plant and water treatment plant for the United Kingdom's Rampton Hospital, part of the Nottinghamshire NHS Trust, for a total of GBP 5.05 million, by Societe Generale Equipment Finance (a subsidiary of the Group specialising in equipment financing), in partnership with Cofely (an energy efficiency subsidiary of ENGIE) and the Green Investment Bank;
- Societe Generale played a significant role in providing of USD 300 million in financing for the Block Island offshore wind project, the first offshore wind farm in the United States and one that which represents a major technological advance.

As part of its environmental banking offer, the Bank proposes a range of green products and services, including, in collaboration with the ONF, the French Forestry Commission, an environmental business credit card for corporate customers. Societe Generale has confirmed its commitment to fund forest regeneration to 2016.

In 2014, payments amounting to EUR 100,696 were made to the ONF, up 40% on 2013, and 32,419 customers now have an ONF card.

Through its French retail banking networks, Societe Generale promotes financing for individual customers aimed at greater energy efficiency. Since interest-free eco-loans and sustainable development loans were initiated in France, the Group has provided 25,000 of them, representing a total of over EUR 393 million.



"The Group's Sourcing division, [...] has been making an effort over the last 4 years to reduce the Group's carbon footprint by selecting vehicles with the lowest emissions on the market. And it works! [...] We have therefore launched the "EdisOn" project, which aims to have 5% of the Group's fleet made up of electric vehicles within 3 years."

DAMIEN FELD
Mobility & Events Sourcing Manager, Sourcing Division, responsible for managing the Group's fleet of vehicles

For its part, ALD Automotive (the Group's subsidiary specialising in the long-term leasing and management of vehicle fleets with more than one million vehicles) is also working to reduce the CO₂ emissions and fuel consumption of its fleets.

The company, which is a pioneer in electric (or hybrid) vehicles, offers services – via many of its subsidiaries – to assist businesses in the introduction of electric vehicles to their fleets.

As of the end of 2014, ALD Automotive managed a fleet of nearly 23,000 hybrid vehicles, including 1,000 rechargeable hybrid vehicles and 6,000 electric vehicles, one of the largest fleets of electric company vehicles in the world.

In support of its corporate clients, the Group is keen to contribute to the development of a **sustainable bond market** (Green Bonds) for financing projects and acquisitions in renewable energy and energy efficiency, thereby contributing to the fight against climate change and bringing the Group's structuring and bond distribution solutions to the table in conjunction with its long-standing expertise in Environmental, Social and Governance (ESG) management.

- After the EUR 1.4 billion bond issue by EDF Energies Nouvelles aimed at financing new renewable energy projects, in May 2014 Societe Generale acted as co-lead manager of a bond issue amounting to EUR 2.5 billion for ENGIE, which is the largest green bond issue ever carried out. The proceeds of these bond issues will finance projects and acquisitions in renewable energy and energy efficiency.
- In 2014, the Group helped to launch the first green bond in the European high yield bond market, an issue worth EUR 500 million, which will help Spanish company ABENGOA finance numerous renewable energy projects, including renewable energy, transmission and distribution of power and water, bio-energy and energy recycling.



" This is a way for companies to demonstrate their commitment to long-term issues and reach a group of investors who are interested in the subject. For Societe Generale, the idea of long-term commitment is essential. We have a significant presence in the responsible bond market. "

FELIX ORSINI
Global Co-Head Debt Capital
Markets Corporate Origination



The Bank is a **long-standing player in the carbon market**, ranked by *Energy Risk* as 2nd and 5th in the European Emissions Trading System (ETS) in 2014 and 2015 respectively, and was ranked 1st for its research on the subject in both 2014 and 2015.

The demand for **Socially Responsible Investment (SRI)** has increased sharply in the last five years due to changes in regulation and investment practice, which has become a key driver for SRI demand. Societe Generale offers its clients dedicated research on Environmental, Social and Governance issues.

- This year, the team of SRI analysts was ranked N°1 in the Thomson Reuters Extel Europe and Euromoney Fixed Income 2015 rankings.

Significant capital is allocated to SRI strategies. Among the most well-known market initiatives is the United Nations' Principles for Responsible Investment (PRI), which allocates EUR 25 trillion, or 15% of its assets, to SRI. This increasing allocation is evidence of the growing focus of institutional investors on an ever-wider range of Environmental, Social and Governance considerations, a trend that is likely to continue.

In keeping with this momentum, Lyxor (a subsidiary of the Group specialising in Asset Management) adopted the Principles for Responsible Investment (PRI) in 2014.

IMPROVING ENERGY EFFICIENCY BY INCREASING THE EXPERTISE OF ECONOMIC STAKEHOLDERS AND REGIONS

Always attentive to responding to the requirements of its clients, who themselves are facing the challenge to improving energy efficiency, the Bank is focusing on identifying opportunities to develop business activities that are both green and profitable.



" Positive Impact Financing is financing that has a positive impact on one of the three pillars of Sustainable Development [...] while appropriately managing any potential negative impacts. This makes it possible to align the public and private sectors on clear objectives for financing infrastructure projects, access to water and energy, education, health or agriculture. "

DENIS CHILDS
Head of Positive Impact Finance
and Environmental and Social
Advisory



Which is why Societe Generale has established the **Positive Impact Finance initiative** to facilitate innovative financing solutions which address the interests of all players (public and private), issuers and investors, with funding of EUR 958 million in 2014, an increase of 37% compared to 2013.

To carry out this initiative, the Bank is leading an international working group at the United Nations and ORSE with the aim of sharing this methodology with the whole financial sector.

- One example is the financing of the world's largest geothermal energy production plant, the Sarulla Project situated in Indonesia. This project combines clean and renewable energy production with efforts to reduce the impact on the surrounding communities and to comply with the strictest environmental and social requirements (IFS recommendations, Equator Principles, etc.) during the plant's design, construction and operational phases. The financing of Sarulla won the award for Best Project Financing Award at the 2014 Global Capital Asia/Asiamoney Awards.

Societe Generale has teams dedicated to researching financial solutions to encourage and develop new climate-friendly technologies, such as **Carbon Capture & Storage (CCS)**. It finances and advises on several projects vital to climate change mitigation - for example, the White Rose Project in the United Kingdom, with EUR 300 million in financing provided as part of the European Union's NER300 programme, which aims to demonstrate the efficiency of carbon capture and storage technology.

This approach expands the range of available solutions whilst promoting progress and experimentation, paving the way to innovation.



"We assign teams to look for financial solutions that benefits climate-friendly technology, such as Carbon Capture and Storage (CCS), which currently still has profitability issues [...]. Through advisory contracts, for example the White Rose project in the United Kingdom, we have developed an expertise in CCS that makes Societe Generale a leader in this field."

FEDERICO TUREGANO
Global Head of Natural Resources and Energy

Societe Generale group is a **key player in energy infrastructure funding**. In 2014, Societe Generale Corporate & Investment Banking (SG CIB) was named "Europe & Africa Bank of the Year" by *Infrastructure Journal Global* and "Americas Bank of the Year" by *Project Finance International*, which bears testimony to the advisory and major operations structuring expertise that the Bank offers to its clients.

SG CIB has many years' experience in **the environment and renewable energy sector** (solar, biomass, wind power, etc.). With its global presence and acknowledged sectoral expertise (energy, oil and gas, reserve based finance, etc.), the Bank has provided its customers with ongoing support for development in these sectors for over 10 years.

In 2014, the Group allocated **70% of its new financing in the electrical production sector to renewable energy projects**.



"Since the beginning of the 1990s, Societe Generale has been highly involved in financing assets associated with the environment, and financing for renewable energy projects has increased substantially since the beginning of the 2000s."

JÉRÔME DEFLESSELLES
Manager of European Renewable Energy Sourcing

In recent months, SG CIB has supported major operations that showcase the Bank's expertise across the value chain, such as financial structuring, technological assistance, regulatory framework advice, etc.

- The offshore wind farm project **Baltic 2** in Germany, which required a particularly complex and innovative financial structuring solution.
- An offshore wind farm project in the United Kingdom that needed specific knowledge of the regulatory framework of the electricity sales market.
- The French offshore wind farms **Dieppe-Le Tréport (500 MW)** and **Noirmoutier-Ile d'Yeu (500 MW)**, for which SG CIB provided the winning **ENGIE/EDPR/Neoen Marine** consortium with advisory and support services.

The Bank also helps major players in the LNG (Liquefied Natural Gas) sector with their investments. This source of energy is set to play an increasingly important role in the global energy industry. With its long-standing and continued presence in the LNG sector dating back to the 1990s as well as its internationally renowned teams, **SG CIB is ranked world leader as a financial adviser to its clients in this field**.

Over the last three years, SG CIB has been awarded two-thirds of the new LNG contracts for financial advisory services and is currently engaged with six major contracts in North America, Africa, Asia and the Mediterranean. In the role of advisor and debt-arranger, SG CIB contributed to Cheniere Corpus Christi Holdings' success this year in being selected for the financing of a large-scale LNG project in the United States, one of the most dynamic markets for developing new LNG export projects.

Societe Generale group has also established **incentive schemes for reducing its own environmental impact**:

- an internal carbon tax of EUR 10 per tonne of CO₂ was introduced in 2012 to fund in-house environmental efficiency projects. Investment managers awarded EUR 3.2 million to finance 35 initiatives which resulted in a reduction of 2,250 tonnes of CO₂ per year as well as recurring savings of EUR 14 million. In 2015, the programme is aiming for an 11% reduction per occupant in CO₂ emissions and a 13% reduction in energy consumption compared to 2012, the reference year. This has led to genuine enthusiasm among employees and the Bank is keen to publicise the programme to its peers and the organisations with which it is involved (EpE, ORSE, Global Compact) so that the initiative is adopted elsewhere;
- for its part, the Sourcing division plays a significant role in the Group's Corporate Social Responsibility (CSR) strategy and is committed to reducing the environmental footprint of the Bank's purchases. A supplier evaluation is always requested by the independent third-party company EcoVadis for each purchase (resulting in more than 2,000 such requests by the end of 2014) and audits are carried out to reduce the carbon footprint of the purchased products.



"Our commitment to reducing our energy consumption is an everyday occupation. There is no conflict between our strategic objectives and our environmental ones. Not only is there no conflict, but our environmental awareness can actually drive us to achieve our objectives more quickly."

SÉVERIN CABANNES
Deputy Chief Executive Officer of the Group



ASSISTING INTERNATIONAL FINANCIAL INSTITUTIONS AND DEVELOPMENT AGENCIES WITH THE IMPLEMENTATION OF THEIR DEVELOPMENT POLICIES

In accordance with its global strategy, the Group is committed in other countries in which it is present to forging and maintaining partnerships with **International Financial Institutions** (IFIs) in order to offer financing solutions that meet the needs of the businesses and local stakeholders that it supports. Relations with the European Investment Bank (EIB) were extended in 2014 with the signing of 12 contracts for a total amount of EUR 640 million, with the resulting credit lines generally dedicated to SMEs and Mid-Caps.

The Bank is a leading light in the *France Énergies Renouvelables* (French Renewable Energies) programme, set up in April 2014 by the EIB (through a EUR 750 million financial commitment) to implement renewable energy projects in France between 2014 and 2016. The EIB selected Societe Generale for its expertise in the field of financing energy projects and its ability to ensure that the programmes comply with domestic and European environmental regulations on biodiversity. These projects help to mitigate the effects of climate change by using wind, photovoltaic, hydraulic and geothermal energy.

In Africa, for example, where Societe Generale has a long-standing presence and is a major player in the financial sector, the Bank is helping its clients to implement high-performance energy solutions and collaborating with development agencies to provide innovative financing solutions where needed. In Burkina Faso, for example, Societe Generale's subsidiary offers loans to promote and facilitate access to solar energy, which enables the local population to improve their energy independence.

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2015 Group CSR Report
"CSR" Website
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